



NORFOLK

Office of the City Manager

July 1, 2011

**Honorable Mayor and City Council
City of Norfolk, Virginia**

I respectfully present to you the Approved Fiscal Year 2012 financial plan for the City of Norfolk. A summary of the approved budget is shown in the table below.

Fiscal Year (FY) 2012 Financial Plan	
Fund	Approved Budget
General Fund	795,016,200
Enterprise Funds	124,480,700
Special Revenue Funds	32,226,900
Internal Service Funds	13,197,000
Total Operating	964,920,800
Annual Capital Improvement Plan	151,640,300
Total Operating and Capital	1,116,561,100
Annual Plan for HUD Block Grants	7,448,291
Total Financial Plan	1,124,009,391

The Proposed FY 2012 Budget was presented on April 26, 2011. Based on discussions during three City Council work sessions, several adjustments were made to the Operating Budget, the Capital Improvement Plan and the Annual Plan. The Approved General Fund Operating Budget reflects an increase of \$1,740,087 from the Proposed Budget. The revenue and expenditure adjustments are listed below:

Revenue Adjustments and Redistributions	Amount
Increase federal revenue appropriation for Norfolk Public Schools	\$500,000
Increase personal property tax revenue based on revised estimates	\$1,240,000
Total Adjustments to Revenues	\$1,740,000

Expenditure Adjustments and Redistributions	Amount
Increase expenditure appropriation for Norfolk Public Schools based on additional federal revenue	\$500,000
Adjust Aid to Localities Payment to the Commonwealth	(\$261,961)
Support Virginia First Cities Membership	\$43,261
Support Hampton Roads Sports Commission	\$35,100

Expenditure Adjustments and Redistributions	Amount
Reduce expenditures for Performance Based Grants based on revised estimates	(\$500,000)
Provide a \$500 bonus to employees	\$1,923,600
Total Adjustments to the Expenditures	\$1,740,000

Other adjustments that were made to the Proposed Budget are listed below:

Other Adjustments and Redistributions	Budget	Amount
Provide additional Public Amenities funds to Norfolk Consortium to mitigate reductions	Public Amenities	\$500,000
Transfer funds from Plumb Line CHDO to the CHDO set-aside	Annual Plan/HOME Program	\$88,308
Transfer funds from Community Initiatives Program to Horizons Hampton Roads	Annual Plan/CDBG Program	\$5,700
Transfer governance of McArthur Memorial from the National Maritime Center back to Department of Cultural Facilities, Arts and Entertainment	General Fund	\$0
Accelerate the school construction schedule (no impact on FY 2012 Capital Improvement Budget)	Capital	\$0

The impact of the change to the five-year Capital Improvement Plan is detailed below:

1. School 1 (no change): Completion of Crossroads in FY 2012.
2. School 2 (no change): Begin construction of Campostella in FY 2013 with completion by FY 2014.
3. *School 3 (changed): Begin design in FY 2013 with construction in FY 2014 and completion in FY 2015.*
4. School 4 (no change): Begin design in FY 2016.

Revised School Construction Schedule						
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Crossroads ¹	\$7,600,000					\$7,600,000
School #2 (Campostella) ²	\$2,200,000	\$7,550,000	\$5,000,000			\$14,750,000
School #3		\$2,200,000	\$14,800,000	\$5,000,000		\$22,000,000
School #4					\$2,200,000	\$2,200,000
Total	\$9,800,000	\$9,750,000	\$19,800,000	\$5,000,000	\$2,200,000	\$46,550,000

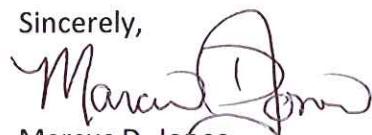
¹ This project has prior year funding of \$17.2 million.

² This project has prior year funding of \$7.25 million.

In summary, the Approved FY 2012 Budget includes minor adjustments that ensure support for our valued employees and our outside partners. The Approved FY 2012 Budget is the beginning of the process of building a "well-managed government." During the coming year, we will continue to look at City operations and will identify opportunities for efficiency by continuous analysis and forward thinking.

It is my pleasure to present to you the City of Norfolk's Approved FY 2012 Budget.

Sincerely,



Marcus D. Jones
City Manager



NORFOLK

Office of the City Manager

April 26, 2011

**Honorable Mayor and City Council
City of Norfolk, Virginia**

I respectfully submit to you the Proposed Fiscal Year 2012 financial plan for the City of Norfolk. A summary of the proposed budget is shown in the table below.

Fiscal Year (FY) 2012 Financial Plan	
Fund	Proposed Budget
General Fund base	787,613,761
Fund Adjustments	5,662,352
Total General Fund	793,276,113
Enterprise Funds	124,480,700
Special Revenue Funds	32,226,900
Internal Service Funds	13,197,000
Total Operating	963,180,713
Annual Capital Improvement Plan	151,640,073
Total Operating and Capital	1,114,820,786
Annual Plan for HUD Block Grants	7,448,291
Total Financial Plan	1,122,269,077

The proposed General Fund budget is \$787,613,761 along with \$5,662,352 in adjustments to account for new financial reporting requirements. The total General Fund budget increase without adjustments is 0.3 percent. With adjustments, the General Fund budget is \$793,276,113 or approximately a one percent increase from the FY 2011 Approved Budget. The adjustments are due to the inclusion of two funds, Nauticus and Cruise Ship Terminal, which were previously classified as Special Revenue Funds.

GUIDING PRINCIPLES

The development of the Proposed FY 2012 Budget is the first step in a process to transform municipal operations in the City of Norfolk. New ideas will be welcomed and old ideas will be reconsidered. Existing policies and practices will be improved. We will move forward with a laser focus on the future of our City and our organization. The guiding principle for this budget and future budgets will be building a “well-managed government,” which means ensuring the City is effective, efficient, accountable, responsive, inclusive, and customer-focused. In my short tenure as City Manager (less than 100 days), we have begun the process to transform our organization. This process will continue during the coming fiscal year and we will begin laying the groundwork for a new budget process in Fiscal Year 2013.

During the development of the Proposed FY 2012 Budget, we went out into the community and met with hundreds of residents and employees to understand their priorities and hear their suggestions for how to build this budget. I even visited an elementary school to hear from our youngest community members and received such a warm reception that I will continue engaging children and getting them excited about our City. We held numerous cross-departmental meetings where department heads were challenged to identify areas of overlap, areas for cooperation and areas for process improvement. This budget strives to ensure funding goes to our highest-priority programs and our core services. Over the next year, we will take the “well-managed government” principle further and build a budget around initiatives and priorities. The organization will improve how we measure performance, for each program and each employee, with a focus on determining how best to achieve our desired outcomes. The result will be an organization that can show real progress toward its goals, as well as a positive impact on our residents.

FINANCIAL BACKDROP

Recession and Recovery

While the recession officially ended in June 2009, the national and local economies continue to struggle. The housing market is tenuous and our unemployment level remains high. Given these economic conditions, we will have to right-size our organization to become more efficient. We cannot wait for revenues to come back up to pre-recession levels and we cannot depend solely on taxes or fees to address our budget challenges. Changes we make must be structural and on-going. The economic conditions are leading to a process of becoming more efficient and it is my intention that the City should continually challenge itself to improve.

Revenue Picture

Approximately 36 percent of the City’s General Fund revenue comes from the Commonwealth, which means state budget actions have a significant impact on the City’s operating budget. While the state has seen some revenue growth in recent months, it continues to decrease spending and reduce aid to localities. The state reduction in FY 2012 includes \$400,000 from local law enforcement support, \$200,000 from jail per diems, \$550,000 from constitutional officers and \$8.6 million from school support. The General Assembly also decided to continue the flexible cut in aid to localities, which will be approximately \$2.8 million in FY 2012. As state aid for K-12 education continues to decline, Norfolk Public Schools must follow the same process of right-sizing the organization. In FY 2011, the City passed on approximately \$2.3 million in state cuts to Constitutional Officers but will not pass on any additional cuts to these Officers in FY 2012.

Real Estate tax revenue makes up a quarter of our total revenue and is our largest locally-generated revenue source. Based on the latest estimate from the Real Estate Assessor’s Office, real estate assessments overall in Norfolk are projected to decline by approximately 4.95 percent in FY 2012 from the previous year. One of our major revenue sources, real estate, is declining for two years in a row and it is not clear when the housing market will begin to grow again. While the housing market is affected by many external factors, the City will be working with residents to help them improve their neighborhoods with the goal of maintaining property values.

BUDGETING BASED ON PRIORITIES

As key revenues sources are decreasing (real estate and revenue from the Commonwealth), we cannot fund all our existing programs and services. However, the City’s budget will no longer be built around across-the-board cuts. The budget is built around our priorities and funding is dedicated to those

programs and services that best support these priorities. The current City Council priorities are: Community Building, Economic Development, Education, Public Accountability, Public Safety and Regional Partnerships. The Proposed FY 2012 Budget is the first step to ensuring all programs and services are aligned with these priorities and support the City's "well-managed government" philosophy.

Community Building

Based on what we have heard from residents, we are enhancing our focus on **community building**. The City will become a partner in neighborhood revitalization and help neighbors build up their own neighborhoods. Residents are often eager to take on leadership roles and work on improving their communities; what they need is the City's support. Using the Fairmount Park Civic League and the Greater Park Place Visioning/Engagement Process as examples, we will implement a new "Neighbors Building Neighborhoods" program. Members of the Fairmount Park Civic League have taken the lead in improving their neighborhood by agreeing upon standards and expectations every resident will follow. Residents help other residents understand code requirements and manage their property and residents engage business owners to encourage maintenance of commercial property. Improvements are noticeable and dramatic and the City did not take the lead. Instead, the City acts as a partner. This "Neighbors Building Neighborhoods" program will begin as a pilot in several neighborhoods and its success will be evaluated over the next year.

Over the next year, we will review the City's relationship with Norfolk Redevelopment and Housing Authority (NRHA), one of our key partners in rebuilding and revitalizing our neighborhoods. With changes in eminent domain and our financial limitations, the City's redevelopment strategies – and NRHA's role in those strategies – will have to be revisited. I have met with NRHA staff and we are ready to face this challenge. The City will work with NRHA to determine how each entity can best help improve our neighborhoods. The Department of Planning and Community Development has already begun to shift focus toward a partnership with residents, instead of City-led efforts. We will also examine sharing services or re-aligning our programs. For example, the City's programs may move to NRHA, as NRHA already has similar successful programs.

Economic Development

Economic development will be a key factor in growing our way out of this economic downturn. In order to grow our economy, we need to make our City attractive to businesses and individuals by having public amenities, business opportunities and solid infrastructure. Our Proposed FY 2012 Capital Improvement Plan (CIP) contains several large projects such as the Slover Library and school construction projects and many smaller core projects such as street improvements and bridge repairs.

As we progress towards the review and reaffirmation of our citywide goals and priorities with City Council, our CIP must undergo a comprehensive review to ensure we are continuing to utilize our limited financial resources on efforts that are consistent with our vision for the future of our City. We will study, analyze and implement a funding strategy that is cognizant of our affordability parameters, including making some difficult decisions that are in the best interest of our entire City. Due to the economic downturn and the decrease in real estate values, our ability to afford our planned projects dramatically decreased. In order to bring our CIP closer to our self-imposed affordability parameters, we propose reducing \$71.3 million in previously authorized, closed out projects and future planned projects out of the CIP.

Over the coming year, we will be reviewing all capital projects and determining what is still a priority. This process began during the development of the Proposed FY 2012 Budget but there is still work to be done. There may be projects that were appropriate for a certain time and purpose but are no longer at the same priority. In other projects, funds have been built up and should be spent before authorizing additional funding. Given the financial challenges we have successfully managed through in recent years and those on the horizon, we must focus our attention on our core services. We are pressing the proverbial “reset button” that will allow us to move forward with a fresh new perspective on where we are today, where we want to be tomorrow and the conservative financial approach that results in our realizing our maximum potential.

Education

During all of our community meetings, residents and employees continually listed **education** as one of the City's top priorities. We are separate organizations but part of one City, we are committed to working with Norfolk Public Schools (NPS) and ensuring our children receive a top education. First, the City is committed to maintaining our local contribution to NPS. While the School Board requested an additional \$822,000, we believe the current level of funding will provide NPS will sufficient resources to support its educational needs. Initial discussions with NPS staff indicated there are sufficient options available to NPS that will more than meet this additional request for \$822,000. These options include, but are not limited to, additional federal funds and revisions to healthcare cost estimates. The Administration is confident that this \$822,000 funding gap is presently closed.

In order to find efficiencies in both our organizations, City staff has begun meeting with NPS staff to review services both organizations provide to determine if any efforts could be combined. Due to continued declines in state aid, NPS is going through the same exercises as the City such as looking at eliminating redundancy, aligning funding with priorities and ensuring core services remain funded. For example, in the School Board's Proposed FY 2012 Budget, two elementary schools will close. Like the City will have to do, NPS has acted logically and thoughtfully to “right-size” the number of facilities to the student population.

The Proposed FY 2012 CIP includes \$9.8 million to complete the construction of the new Crossroads K-8 School and continue funding for a second construction and renovation project. The five-year CIP includes \$46.5 million for schools. These funds will be used to complete Crossroads, complete two additional schools and begin work on a fourth school. Additionally, the Proposed FY 2012 CIP includes \$3 million to address major facility maintenance needs throughout the school system. In the five-year CIP, \$15 million is proposed to address these facility needs.

The City's youth services, which extend beyond the classroom and strive to enhance the education at Norfolk Public Schools, will be combined under a new Bureau of Youth Services. This consolidation allows the City to combine programming for youth ages 5-12 and ages 13-17 and provide a more comprehensive approach to youth services. In addition, the City will improve upon its existing summer youth employment program and build relationships with our local universities to attract our best and brightest young people and grow our future leaders.

Public Accountability

One of the budget principles identified in our community meetings is **public accountability**. As we transform this organization, we will undertake several initiatives to follow this principle. We are working to build a well-managed organization, which means having the right people in the right place at

the right time to work toward achieving strategic goals. In order to build a more efficient organization, we offered a voluntary retirement incentive program (VRIP), which more than 150 employees elected to take. This budget also proposes the elimination of 69 full-time positions, 18 of which are filled, as an effort to “right-size” the workforce. Eliminated positions are tied to the elimination of a program or a service or the elimination of redundant or underutilized offerings. The Department of Human Resources will work with affected employees to determine if they are a good fit for another vacant position. However, realizing that not every employee may be a good fit, we are offering a severance package for separated employees to assist in their transition.

Though the City must “right-size” its workforce, it will continue its commitment to prudent policies related to personnel. The contribution to our retirement fund is increasing by nearly \$6 million, which will ensure the funding status remains sufficient. The City of Norfolk is one of a few cities that maintains an independent retirement system; most cities in Virginia belong to the Virginia Retirement System (VRS). We will evaluate converting to VRS, as other cities have recently done. We will consider issues such as the impact on current and retired employees, the feasibility given our budget challenges, financial sustainability into the future and how this impacts employee recruitment and retention.

As the organization becomes smaller and more efficient, our facility needs will change. We may no longer need the same amount of City-owned or leased property and will review our existing assets and needs. In addition, two strategies are planned for our fleet of vehicles. First, we will review all our vehicle needs and eliminate what is unnecessary. Second, the debt service budget will include funding for the lease-purchase of waste management and marked police vehicles. These steps will help “right-size” the fleet and ensure our essential needs are met. The same process will take place with our fleet of computers. Some of our other central operations require a comprehensive review, including a thorough analysis of policies and processes, which will take place during the coming year.

Public Safety

Public safety remains a top priority for the City and our residents. While we want to continue funding our departments that keep the City safe, it is important to practice good governance and provide funding to the highest priority programs and services while operating in the most efficient and effective manner possible. In this budget, Police and Fire-Rescue sworn positions will not be eliminated. However, the Departments of Police and Fire-Rescue will be charged with managing their staff to keep overtime costs down. One area of focus for public safety will be equipment needs. In prior years, funding for vehicles has not kept up with the need so that will be a priority in this budget. In addition, we will re-evaluate all Police and Fire facility needs.

Regional Partnerships

As the City works to increase accountability and transparency, we will ask the same of our local and **regional partners**. Beginning in FY 2012, the City will have formal agreements with all outside agencies that receive City funding and these agencies will be required to provide documentation on their budgets and performance. The goal is not to reduce or eliminate funding for organizations but to ensure City money is supporting our priorities and that accountability and transparency follow taxpayer-provided funds.

The Proposed FY 2012 Budget includes changes for two of our outside partners: the Norfolk Interagency Consortium (NIC) and the Norfolk Community Services Board (CSB). NIC administers the Comprehensive Services Act (CSA) Program, which provides programs and services for at-risk youth and

youth with behavioral challenges. NIC has been integrated into the Department of Human Services in order to align similar services and ensure greater effectiveness. Over the next six months, in conjunction with the CSB, the City will evaluate integrating CSB's services into the City's structure. An interdisciplinary team will be formed to undertake this review. In the Proposed FY 2012 Budget, the City continues to provide local funding to CSB, but at a lesser amount. Even with this level of reduced support, the City will still contribute well above the required match amount. Through preliminary discussions with CSB staff, the Administration anticipates that CSB will find operational efficiencies and use some of its fund balance to back fill the loss in City revenue with no negative impact on service delivery.

As we work to grow our way out of this economic downturn, our outside partners who bring in revenue from tourists and visitors will play a key role. Norfolk is fortunate to have numerous organizations that bring in outside visitors and improve the quality of life for our residents. In order to encourage revenue growth and reduce competition, the City supports the creation of a "Norfolk Arts and Culture Consortium." Following the principle of greater strength in cooperation, the City proposes that our large events partner organizations join a consortium, which will include City departments such as Nauticus, the Zoo and the Department of Cultural Facilities, Arts and Entertainment. The consortium will receive less individual support from the General Fund but this is offset by support from the Public Amenities Fund and revenue from a \$1 increase in the bed tax. The members will determine how to allocate that funding to the highest priorities and those initiatives that will enhance visitor and resident experiences. As this consortium evolves and thrives, the City will look into dedicating a portion of any new revenue or allowing the consortium to keep efficiency savings, thus providing another incentive for cooperation and visitor growth.

CLOSING THE BUDGET GAP

While we ensured our priorities receive funding in this budget, the development of the budget still began with a \$32 million gap between estimated revenues and expenditures. The gap increased to closer to \$37 million prior to its eventual closure. This budget gap was closed primarily by enhancing tax collections, generating revenue through clearing out accounts, eliminating under-utilized or lower priority programs, sharing service delivery and restructuring the organization to achieve efficiencies. In addition, some of our expenditure projections will be lower than originally estimated.

Good Governance

Rather than increasing taxes, we will make every effort to collect taxes that are already due to the City. In the Proposed FY 2012 Budget, we estimate an additional \$1 million in delinquent tax collections. The City Treasurer's Office will be given new tools to increase collections and help grow our revenue base.

Some of the large expenditures ended up being lower than originally estimated, which helped close the budget gap. In particular, the later than expected start for the new Light Rail system lowered the total cost for the City in FY 2012. The City budgeted for a May 1, 2011 opening, which means some funds budgeted in FY 2011 could be used to offset the amount needed in FY 2012. The increase for the City's healthcare costs also ended up lower than originally estimated. Negotiations with our health insurance provider brought the rate increase down from more than 10 percent to 6.4 percent, which helped close the budget gap even further. One of the key factors impacting our lower rate is the City's commitment to the health and wellness of our employees. Our Employee Prevention and Wellness Programs recently won the Platinum Level "Fit Friendly Companies" award by the American Heart Association. Over time, as more of our employees have become engaged in programs, health risks have been

reduced. Small changes can improve the lives of our employees, as well as save significant dollars, so we will continue to support these efforts to incentivize employees to manage their health.

This budget includes approximately \$17 million in resources from carry-forwards, forced savings and cleaning out accounts. Departments across the City were challenged to close out all accounts that were no longer needed based on a change in the scope of work or held funds remaining from completed initiatives. This unprecedented effort “cleared all of the accounting books” in the City. In the majority of cases, one-time revenues are matched with one-time expenditures. However, in some cases, one-time revenues are not matched with one-time expenditures. This will not be a continuing practice of the City. This is not the practice of a well-managed government. However, these remaining one-time revenues saved jobs and eliminated the need to raise the real estate tax rate. As we develop the FY 2013 budget, this structural imbalance will be eliminated through additional cuts or additional on-going resources.

New financial reporting requirements from the Governmental Accounting Standards Board (GASB) require the City to make some changes to its fund structure. Two funds, Nauticus and Cruise Ship Terminal, are classified as Special Revenue Funds in the FY 2011 budget, which means their revenues come from specific sources. However, these funds currently receive General Fund support. Therefore, in the Proposed FY 2012 Budget, these two funds will become part of the General Fund. The General Fund will also have to absorb the fund balances for Nauticus and Cruise Ship Terminal, along with many other fund balances that have not been formally dedicated to a specific purpose. GASB guidelines require the City to consolidate these accounts with balances in them, and these funds become one-time revenues for the Proposed FY 2012 Budget. While this action increases our amount of one-time revenues, the City is following recommended financial practices.

Eliminating Programs and Services

The Office of Youth and Childhood Development was created in FY 2011 and was given oversight of many neighborhood and youth-related programs. As the City examined its desire to become a leader in providing youth services, it was determined a more focused and comprehensive approach was needed. Upon review, some of these programs have either not been initiated or have not proven to be successful and will no longer be continued. The objectives of the Saving our Children program will be incorporated into multiple City departments, with a focus on the current gang suppression efforts of the Norfolk Police Department and new efforts in the Department of Recreation, Parks and Open Space. The objectives of the Project Focus program will be incorporated into the new Neighbors Building Neighborhoods program within the Department of Community Planning and Development.

The Department of Planning and Community Development’s Design Center will close and some of its current programs will be eliminated. Many of the services currently offered by the Design Center serve very few citizens. For example, fewer than 100 homeowners have used the service in preparation for a permit over the past two years at the Design Center. The architectural design services that will remain are those related to the City’s nonstandard lot program, the tax abatement program and World Changers. Planning will also maintain the Pattern Book for Norfolk Neighborhoods as an information source for home owners. Other programs, such as Neighborhood University and Come Home to Norfolk Now will be repurposed and encompassed within the elements of the new “Neighbors Building Neighborhoods” initiative.

Organizational Improvements and Streamlining

Several departments and offices that provide internal, centralized services will be merged into a Department of General Services. These include Fleet Management, Facility Maintenance, Purchasing, Storehouse, Real Estate Management, Security Management and Parking. By bringing these internal functions together under one department, we can achieve efficiencies, find synergy, and improve management and oversight of these functions.

In the FY 2011 budget, many new functions moved to the Department of Planning and Community Development. Over the past ten months, the department has identified multiple opportunities for changes in operation that will be more efficient without impacting customer service. In addition, the department has re-examined all of its functions and identified those non-core functions that serve a limited number of citizens. The addition of new programs, such as the new "Neighbors Building Neighborhoods" initiative, will require refocusing staff resources and eliminating older programs that do not fit into the department's new direction. Reorganization of the Bureau of Neighborhood Quality into three teams rather than the four set up in the current system will permit a reduction in positions without a reduction in service. It will also maintain alignment with Police functions, ensuring continued synergy with the Police Department. The Call Center that currently resides in Communications will move to Planning so that we can improve our communications with residents and our tracking of all neighborhood issues. The staffing level in the building safety bureau will change based on the current level of work, with no resultant change in the customer service level. Similar changes in the staffing level of the Animal Care Center will improve the span of control in the center with no resultant change in customer service level.

As mentioned above, the programs in the Office of Youth and Childhood Development will be provided through a different approach. Some programs will be transferred within the organization to achieve a higher level of effectiveness for youth service delivery. The After the Bell and Model Middle School Programs, the Norfolk Youth Council, and Let's Move have been transferred to the Department of Recreation, Parks and Open Space. The After Bell and Model Middle School program will continue to operate in conjunction with Norfolk Public Schools. The Youth Council will be better managed to develop future leaders of the City. The Let's Move program will be incorporated into the Norfolk Wellness and Fitness Center's Kids Zone program to utilize existing resources. In addition, the Smart Beginnings Program has been transferred to the Department of Human Services for a more coordinated pre-kindergarten effort.

Over the course of the next fiscal year, we will review our Communications and Public Information operations. The City needs a comprehensive approach to communications, both within and outside of Norfolk, and we need to ensure messages are accurate, complete and consistent. The result will be a more coordinated, effective, and potentially streamlined effort.

Shared Service Delivery

One strategy to achieve efficiencies and realize savings is sharing services. The City can work with outside entities, such as Norfolk Public Schools, to share services and City departments can work with each other to share services. As a result of cross-departmental meetings, we have identified areas where departments can share work to achieve savings. For example, the Department of Communications and Public Information and the Office to End Homelessness reside on the same floor in City Hall and they have agreed to assist each other with completing administrative work. Some of our smaller offices may not need to perform all their functions individually; they can partner with each

other to perform functions or work with larger departments that have the structure in place to assist them with their workload.

In the past, the Sheriff's Office has been a key partner in providing landscaping services through the use of inmates and work-release participants. With significant revenue reductions from the state in FY 2011, the Sheriff was unable to assist Recreation, Parks and Open Space staff with this service. In FY 2012, we improve service delivery by providing additional funding to the Sheriff's Office to supplement the City operations. Recreation, Parks and Open Space will better utilize existing staff to focus on high priority areas around the City. This plan does not take any jobs away from City employees and strives to provide a higher level of overall service.

CONCLUSIONS AND NEXT STEPS

The Proposed FY 2012 Budget is just the beginning of the process of building a "well-managed government." During the coming year, we will continue to look at city operations and will identify opportunities for efficiency by continuous analysis and forward thinking. We will continue the momentum created by cross-departmental "synergy meetings" and our community outreach meetings.

We have identified many programs and services that require further research; this will be the basis for the development of the FY 2013 budget. Specific areas we will review over the next six months are:

- The Retirement System,
- Outsourcing services: Recycling will be an initial service,
- Records management policies and procedures,
- Printing and copying services,
- Employee certifications and professional development,
- Security and communications in City Hall,
- The Department of Human Services and the Juvenile Detention Center,
- The Department of Information Technology,
- The Department of Human Resources,
- The management of Computer Resource Centers and Neighborhood Resource Centers, and
- Other areas of review as identified through community outreach efforts.

Over the next year, I also recommend reviewing the current City Council priorities to determine if they are still the appropriate citywide priorities for FY 2012 and the future. This review will help us develop our budgeting for priorities process. Beginning with our priorities, we will develop statements that define these priorities, outline goals to achieve them, define program objectives, and identify performance measures to show our progress toward the goals. The FY 2013 budget will look very different and will be built on priority-based budgeting. The budget will be organized around initiatives and priorities, rather than departments and line items.

If we are able to identify additional savings after the beginning of the fiscal year, I propose using a portion of these savings for a performance-based salary adjustment for employees. Without the potential for a performance-based salary adjustment, Norfolk City employees will enter their third year of foregoing salary adjustments while many of our neighboring localities are offering salary increases. Our hard-working employees deserve recognition and reward; however, any salary adjustment will be incorporated into a new system of employee evaluations and performance measurement that support our "well-managed government" principles.

I want to thank all of the department directors, who put forth ideas to achieve savings, identified areas of cooperation and were willing to try new approaches to governance. I also want to thank the Executive Budget Team and the Budget Office for reviewing proposals, evaluating ideas and putting the details of this budget together. Finally, I want to thank all of our dedicated employees, residents and members of the budget advisory committee who submitted hundreds of suggestions for improvement and remain committed to this organization. The process of improvement will take time and teamwork, but it has already begun.

Sincerely,

A handwritten signature in blue ink that reads "Marcus D. Jones".

Marcus D. Jones
City Manager